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**Financial Institutions &  
Insurance Committee**

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**HB 2497**

**Brief Description:** Authorizing a suspension of business loan payments and interest accrual for active duty national guard members.

**Sponsors:** Representatives Kilmer, Buri, Hudgins, Skinner, Green, Morrell, Linville, Ormsby, Lantz, Williams, McCoy, Appleton, Moeller, Chase, Conway, P. Sullivan, Haler, Wallace, Sells, Morris, Ericks, Upthegrove and Woods.

**Brief Summary of Bill**

- Allows a qualified person serving in the national guard to request to suspend payments and stop the accrual of interest on a business loan or extension of credit until after the end of their active service.

**Hearing Date:** 1/17/06

**Staff:** Jon Hedegard (786-7127).

**Background:**

The Department of Financial Institutions regulates financial institutions chartered in Washington. These institutions include banks, credit unions, mutual savings banks, and savings and loan associations. Federally chartered financial institutions are regulated by one of several different federal agencies.

The Servicemembers Civil Relief Act of 2003 (SCRA) provides financial protections for servicemembers. "Servicemember" includes:

- (1) a member of the United States military called to active duty; and
- (2) a member of the National Guard under a call of active service:
  - authorized by the President of the United States or the Secretary of Defense for a period of more than 30 consecutive days; or
  - responding to a national emergency declared by the President and supported by federal funds.

The SCRA covers issues including rental agreements, security deposits, prepaid rent, eviction, installment contracts, credit card interest rates, mortgage interest rates, mortgage foreclosure, civil judicial proceedings, and income tax payments.

### Impact of the SCRA on loans

If the ability of a servicemember to repay a loan is materially affected by his or her service then the loan incurred by a servicemember or by a servicemember and his or her spouse may not accrue interest at over six percent during the time of military service. There is a presumption that the service does materially affect the ability to repay the loan that may be rebutted by the lender. The SCRA only applies to loans made prior to the time of active service.

### **Summary of Bill:**

The bill allows a person serving in the National Guard to request to suspend payments and stop the accrual of interest on a business loan or extension of credit. In order to qualify, the person must:

- be on active duty;
- own a business with five or fewer employees;
- be actively deployed for at least six months internationally or one year domestically; and
- submit documentation substantiating the national guard service and deployment.

The suspension of payments and interest ceases three months after the end of active service. A member of the national guard may only qualify for payment and interest suspension twice in a 10 year period.

The bill applies to state chartered banks, state chartered credit unions, state chartered mutual savings banks, and savings and loan association,

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which the bill is passed.